

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 EB-11 AID-20 L-03 H-02 COME-00 TRSE-00

OPIC-12 OMB-01 CIAE-00 INR-10 NSAE-00 RSC-01 RSR-01

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R 231212 Z MAY 73

FM AMEMBASSY ISLAMABAD

TO AMEMBASSY DACCA

INFO SECSTATE WASHDC 9352

AMCONSUL KARACHI

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FOLLOWING TEL SENT ACTION SECSTATE INFO KARACHI

23 MAY 73 REPEATED YOU:

QUOTE

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E. O. 11652: N/ A

TAGS: EIND, PK

SUBJECT: ALICO CLAIM

REF: STATE 89284

SUMMARY: ALICO REPS HAVE HAD QTE POSITIVE AND ENCOURAGING UNQTE MEETINGS WITH GOP OFFICIALS HERE THIS WEEK. DISCUSSIONS CENTERED AROUND FORMULA WHICH WOULD COMPENSATE ALICO FOR ALL LOSSES INCURRED IN NATIONALIZATION, AND WOULD COVER SPECIFICALLY LIABILITIES/ ASSETS RELATED TO ALICO'S OPERATIONS IN WHAT WAS FORMERLY EAST PAKISTAN. NATURE OF PROPOSED OVERALL SETTLEMENT WOULD REQUIRE AMENDMENT IN EXISTING PAK LAW. PAKS ARE NOW TO PROCEED TO AZARK OUT DETAILS FOR FURTHER DISCUSSION WITH ALICO. WE ARE KEEPING OUR FINGERS

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CROSSED. END SUMMARY

1. ALICO CHAIRMAN JOHN COX AND DAVID ABSHIRE MET WITH GOP REPS LED BY COMMERCE SECRETARY EJAZ NAIK IN ISLAMABAD MAY 21 AND 22. ALICO REPS HAVE DESCRIBED DISCUSSIONS AS POSITIVE AND ENCOURAGING. AFTER SOME BRIEF PRELIMINARY NITPICKING, ANIK TOOK FIRM CHARGE ON PAK SIDE AND INDICATED GOP DESIRE FOR PACKAGE SETTLEMENT TO COVER ALICO'S ENTIRE CLAIM INCLUDING PROBLEM OF BANGLADESH LIABILITIES/ ASSETS. IMPORTANT PRINCIPLE ESTABLISHED AT LEAST IMPLICITLY WAS THAT SPECIFIC LEGALISTIC PROBLEMS (E. G., DATE OF EFFECTIVE NATIONALIZATIONS, EXCHANGE RATE TO BE USED FOR CONVERSION) SHOULD BE SET ASIDE IN INTERESTS OF ESTABLISHING OVERALL AND EFFECTIVE SETTLEMENT FIGURE WHICH WOULD BE MUTUALLY ACCEPTABLE TO COVER FULL ALICO CLAIM.

2. GOP SIDE WAS PREPARED TO DISCUSS SETTLEMENT WHICH IN ROUND TERMS WOULD INCLUDE BETWEEN \$3 AND 3.5 MILLION (TO BE OBTAINED FROM CONVERTING RUPEE FIGURE AT CURRENTLY EXISTING EXCHANGE RATE) PLUS ADDITIONAL ASSETS VALUED IN NEIGHBORHOOD OF \$2 MILLION IN FORM OF BONDS AND OTHER DOCUMENTS RELATING TO ASSETS IN BANGLADESH. EXACT FIGURES ARE STILL TO BE WORKED OUT. GOP WOULD NOT REPEAT NOT IMPOSE ANY TAX ON TRANSFER. COX INDICATED TO US THAT ALICO IS PREPARED IN PRINCIPLE TO ACCEPT SETTLEMENT ALONG THESE LINES AND GENERAL DIMENSIONS.

3. MAJOR PROBLEM FOR GOP IS NEED TO AMEND EXISTING LIFE INSURANCE NATIONALIZATION LAW SO AS TO PERMIT IT LEGALLY TO ENTER INTO AGREEMENT WITH ALICO ALONG LINES OUTLINED ABOVE. MAJOR ISSUE ENTAILS LEGAL AUTHORIZATION FOR GOP TO DEAL WITH BANGLADESH PROPERTIES, WHICH LAW DOES NOT CURRENTLY COVER. NAIK INDICATED TO ALICO REPS THAT POLITICAL DECISION WILL BE REQUIRED ON HOW TO PROCEED. ONE POSSIBILITY MENTIONED WAS WAITING UNTIL COMPLETION OF FORTHCOMING BUDGET SESSION OF PAKISTAN NATIONAL ASSEMBLY, AFTER WHICH PRESIDENT COULD ISSUE ORDINANCE PROMULGATING NECESSARY AMENDMENT TO NATIONALIZATION LAW. PAYMENT OF MONEY AND DELIVERY OF NECESSARY DOCUMENTS TO ALICO COULD THEN BE MADE. ORDINANCE WOULD LIMITED OFFICIAL USE

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REMAIN TO BE APPROVED BY NATIONAL ASSEMBLY AT NEXT SUBSEQUENT SESSION. (NOTE THAT ABOVE SCENARIO WAS PRESENTED AS ONLY TENTATIVE; IT MAY VERY WELL UNDERGO REVISION EVEN ASSUMING LINES OF SETTLEMENT ARE WORKED OUT TO SATISFACTION OF GOP AND ALICO.)

4. COX AND ABSHIRE DEPARTING ISLAMABAD MAY 23. UNDER-

STOOD THAT GOP SIDE WILL NOW PROCEED TO WORK OUT DETAILS OF PROPOSED SETTLEMENT AND INFORM ALICO ACCORDINGLY.

5. ALICO REPS ARE HOPEFUL THAT NEGOTIATIONS WITH GOP ARE NOW ON RIGHT TRACK WHICH WILL LEAD TO SATISFACTORY SETTLEMENT. COX NOTES DISTINCT POSITIVE CHANGE IN ATMOSPHERE SINCE HIS LAST VISIT HERE SEVERAL MONTHS AGO.

6. COMMENT: WE ARE ENCOURAGED BY ACCOUNT GIVEN US BY ALICO REPS OF THEIR SESSIONS WITH GOP OFFICIALS. IT BEARS OUT NAIK' S AFFIRMATION TO CHARGE LAST WEEK THAT GOP IS DETERMINED TO DO WHAT IS NECESSARY TO SETTLE THIS MATTER ONCE AND FOR ALL. WE ASSUME THAT LINE TAKEN BY NAIK IN MEETINGS WITH ALICO REPS REFLECTS GOP POLICY DECISION THAT THIS CONTENTIOUS ISSUE , WHICH HAS BEEN SUBJECT OF NUMEROUS DISCUSSIONS BETWEEN EMBASSY AND GOP LEADERSHIP OVER COURSE OF PAST YEAR, SHOULD BE RESOLVED AS SOON AS POSSIBLE. DECONTROL DECEMBER 31, 1974.
SOBER

UNQUOTE

SOBER

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